

REMARKS

The Examiner's position is that because the recently discovered Deaton patent discloses a method that can calculate the sum value from an online product list and generate incremental discounts based on that sum value (despite the fact that this system was specifically designed for distributing pre-defined coupons at a point-of-sale after the shopper completed their shopping) that it would be obvious to Scroggie to add or simulate data capture and discount customization process to display online coupons based on the sum value of a product list mechanism.

The process of calculating the sum value of items from an "online shopping list" is not the same as asking people to simply enter the total spending value of their next purchase. Not only do these two processes require radically different data sets, but they produce different consumer spend values. They also produce completely different user experiences, and achieve different sets of goals for retail marketing purposes.

The two methods (Deaton vs. Lohse) foster completely different business applications designed to serve radically different retail markets. Deaton's "shopping list system" is best suited for grocery retail (where the construction of shopping lists is of some benefit), and Lohse's "future spend value" system is better suited for non-grocery retail (or "specialty retail") where shopping lists are not a part of the general buying pattern.

AMENDMENT Continued
Serial No. 09/482,830

It may be obvious to add Deaton's product list summary function to Scroggie's existing coupon methodology because Scroggie's method involves marketing to consumers who make product specific selections. It takes a broad, subjective leap, however, to connect a simple non-product specific methodology to a complicated system rooted in product preferences and data.

Adding a complex mechanism that allows users to create virtual "shopping lists" of selected products does not in any way suggest that the simplified method of basing an entire promotional construct on future spend value and nothing more is obvious to someone who invented a process for distributing discounts electronically based on demographic and product selection information.

Combining Scroggie's teachings and that of the Deaton patent to calculate the sum of products selected by users to generate discounts based on that total value to better match users to pre-constructed offers might occur to those having the hindsight of Applicant's invention but not to abandon the sole purpose of Scroggie's method (product promotions) and forego the products themselves, create a new data entry field, require anonymous users to enter total spend value, and use that value specifically to construct a unique set of offers.

There is nothing in either reference corroborating an argument for rejection based on "obviousness", because there is no specific mention in the descriptions and/or diagrams of the pre-existing methods relating to the capture and use of "future spend value" that is independent of product selections and system calculations.

Because the present invention relates to such a simple and well-defined data request (future spend data) followed by such a simple customization process (a unique discount and promotional condition realized by that data) there should be no confusion as to the "obviousness" of Applicant's method as it is clearly different, requiring a different user interface, and producing a completely different type of coupon – one that actually incorporates the purchase value data and not one that uses a partial sum of products to pull a predefined offer out of a database.

The practical means of acquiring future purchase data simply by asking for it was and remains to be a simple yet revolutionary innovation in marketing that was first evidenced specifically by the LOHSE Patent application. This innovation is fundamentally different from previous methods of data collection with the entire process of discount customization revolving around and relying on this one critical piece of non-private consumer information. The deliberate removal of product information makes the system fast, efficient, and much more useful for shoppers.

1) Neither of the patents cited mention or describe a data entry field that requires the user to enter a future purchase value as an integral part of the discount making process?

2) Neither of the patents cited details flexibilities in their systems to allow for the customization of individual offers based entirely on non-product specific, non-user specific purchase value without this data entry field.

3) It would not have been obvious to Scroggie to add a data entry field and completely change the core functionality of their system to alter their coupon presentations based on future spend value after reviewing Deaton's 6,516,302 patent (that describes a system for presenting "incremental" yet pre-defined discounts that can only be calculated from the sum of a partial list of products selected by the user).

Simply put, the Scroggie and Deaton patents are primarily grocery applications designed to benefit product manufacturers and with some flexibilities to accommodate the needs of grocery retailers none of which translate well into the wider variety of retail markets. In specialty retail markets, product decisions are not generally made in advance of visiting a store, customer identification is not generally known as a condition of a club card program, and shopping lists are not a part of the normal shopping routine because most shoppers do not generally know every item they will buy, nor do they buy the exact same products and brands over and over again.

A) Scroggie's patent is fundamentally rooted in past purchase data making the notion of using future purchase data completely foreign to him and thoroughly "unobvious".

B) The Lohse system clearly states a different way of deriving "value" from the shoppers in the coupon creation process.

C) Future purchase information affects a core element of the discount offer itself— namely the minimum spending amount — making it unique and incapable of being replicated through the other methods as described, even if the methods were combined.

Deaton's patent does not mention anything about the critical data entry field required to accurately capture total future spend value from the consumer directly. The process of automatically calculating the combined price of a group of products from a list is not an accurate total value assessment simply because most people do not know every single item they will be buying prior to going shopping. Even a good shopping list can represent only a portion of someone's total spend value/potential. By contrast, many shoppers plan to shop with a maximum budget amount in mind that helps them better to decide the type, quality, and number of possible products they will buy during their shopping experience (see the enclosed recent article).

Future Spend Value Vs. Historical Purchase Data

The Lohse patent application describes a system and method of customizing discounts in real time based solely on future purchase values. Because this method radically simplifies the process of determining accurate total purchase values of customers prior to a purchasing decision, it allows one to build a "better coupon" faster and more efficiently for shoppers and retailers alike.

As the title of U.S. Patent No. 6,516,302 implies, "ECHO Couponing", the Deaton Patent was written to protect a variety of methodologies and systems for delivering discounts based on historical purchase data – in other words coupons that "echo" past purchase behavior. Central to this process, is the goal of building complex customer databases to track past purchase histories in an attempt to identify buying patterns and predict the best array product specific or department specific discount offerings primarily for Consumer Products Goods Manufacturers and Grocery retailers.

The examiner incorrectly interprets that the Deaton patent as providing one example process where the user can "transmit the value amount that they are expecting to spend at an online store and the system provides a discount based on that value."

Upon closer examination, the Deaton patent does not allow the user to enter a total spending value; rather, the Deaton method describes a web-based "product list building" service that allows the user to check off pre-selected products from a list of previously purchased items and enables the system (not the user) to calculate the total value of the proposed transaction for use as an approximate of total purchase value. Only after the prerequisite product selections are made can the system calculate a partial total amount and associate that amount with a single tiered discount (e.g. 5% off purchases of \$50 or more if the products selected total \$50). The final coupon offer takes the form of an electronic transmission (as opposed to a printable offer) sent directly to the local store's cashier system where the discount appears on the receipt if and when the products specified are purchased.

The DEATON method is not only radically different than the LOHSE method but it is technically cumbersome; it is also far more time-consuming, functionally speaking, for retailers and shoppers alike. The DEATON method also utilizes a vastly inferior process of approximating total purchase value in store for specialty retailers simply because there is no practical inventory solution available today that has the ability to list the availability of all products and services available in real time on a local store by store basis. List building methods have been proven commercially unprofitable by marketing companies such as Priceline.com, Shoppinglist.com, Valuepage.com and several others due

to the cumbersome shopping experience in both the list building and coupon redemption processes and due to the lack of real-time product availability and inventory controls.

If it were obvious to Deaton or Scroggie to radically improve and simplify the process of deriving value from a shopper simply by creating a data entry field that asks the user to enter a planned total spending value and nothing more, then why was this easy to describe step never once mentioned in the method descriptions, examples, flow charts, or defining claims of the patents?

Incorporating simple future purchase value entry fields into their product selection processes was not only NOT obvious, but fundamentally opposed to a system whose greater goal is to track product specific buying histories of identified shoppers for lifelong marketing opportunities for consumer product manufacturers.

There is a fundamental difference between the use of future vs. historical purchase data for marketing purposes. Systems based on historical data require predictive guesswork. A system that utilizes future purchase data eliminates the need for guesswork or predictive modeling of any kind. Compared to a system that is focused on future spend data, historical data (no matter how voluminous) becomes literally irrelevant.

This is from a Catalina Marketing press release (the company that bought the Deaton Patent Portfolio in August of 2002):

"ST. PETERSBURG, Fla., Aug 12, 2002 /PRNewsire-FirstCall via Comtex/ -- Catalina Marketing Corporation (NYSE: POS), the global leader in one-to-one marketing, announced today that the organization has been issued US patent

#6,424,949, "Method and System for Selective Incentive Point-Of-Sale Marketing **in Response to Customer Shopping Histories**," by the United States Patent and Trademark Office. The patent involves the delivery of consumer promotions based on shoppers' historical purchase data. This patent is number 21 in a series of patents acquired from the Deaton portfolio.

The Deaton patent portfolio protects a variety of methodologies and systems for delivering promotional communications based on historical data. These methodologies and systems range from data processing and analysis to the delivery of consumer promotions primarily at the point of sale."

Even the owners of the Deaton patent have publicly distinguished their intellectual property as utilizing and relying on past purchase histories as opposed to the simplified innovation of using future purchase data by itself to construct promotional offers.

Lohse's business method allows buyers to anonymously negotiate custom retail discounts with sellers based on the specific value of a non-product specific purchase.

The method is a value-based discount reward system that dynamically generates individualized savings opportunities (memorialized through custom, printable 'coupons') created and defined by the exact dollar values entered by online buyers to shop in-store or online.

By definition, the Applicant's method is inherently different from storing pre-determined coupons and enabling search and selection features for ease of viewing and distribution. There is a clear-cut distinction between "making" and "finding" coupons. The Applicant's method is the only one capable of producing printable discounts that are truly unique in the spending requirements associated with the promotional discount.

Systems that can calculate the value of products identified by an "online shopping list" cannot accurately predict the total purchase potential of shoppers prior to walking into a store. Total spend "budgets" reflect a much more accurate glimpse into the minds of shoppers so that retailers can accurately know and respond to how much people are planning to spend IN TOTAL while shopping.

Applicant's method makes coupons where every other coupon system on or off the Internet displays or distributes pre-made and pre-determined discount offers no matter who is searching for a discount or how valuable the specific transaction is to the potential seller. Each "buyer request" in the Lohse system is treated as a unique request, and as such, can create and present custom-made volume discounts on behalf of the retailer selected in real-time for the exact purchase amount desired by the buyer and more importantly, can dynamically present an additional incentive that rewards the customer for spending significantly more than they were intending.

None of the patents or articles cited by the examiner describe any discounting method that allows the users of the system to produce anything truly unique. The only truly dynamic element on any of the coupons described by these systems relates to a simple personal identification numbers for tracking purposes.

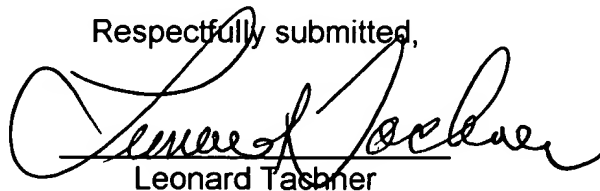
AMENDMENT Continued
Serial No. 09/482,830

The Applicant's invention customizes discounts based on customer supplied total spend value data; no other patent or system in place even hints at making use of customer supplied future purchase values prior to the creation of a discount offer for more effective marketing.

The Lohse patent application unquestionably remains the first and only document that clearly states the intended use of CUSTOMER SPECIFIED FUTURE VALUE for marketing purposes. The use of FUTURE VALUE and the customization of offers based on future value was not obvious at the time of Lohse's application.

In view of the foregoing, it is earnestly believed that Applicant is entitled to an allowance of pending claims 3-7, 15 and 16 and such is earnestly solicited.

Respectfully submitted,



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